

Message Text

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TO SECSTATE WASHDC 8991
INFO ALL EC CAPITALS
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C O R R E C T E D C O P Y (TEXT PARAS 3 & 4)

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SUBJ: EC COUNCIL OF AGRICULTURAL MINISTERS,
SEPT. 25-26, 1978

REFS: (A) BRUSSELS 14550; (B) EC A-312 ;
(C) EC A-340; (D) BRUSSELS 17772;
(E) BRUSSELS 9192

1. SUMMARY: AT ITS SEPT. 25-26 MEETING, THE EC COUNCIL
OF AGRICULTURAL MINISTERS DISCUSSED FISHERIES MATTERS
ON THE FIRST DAY (SEPT. 25) AND DEVOTED THE SECOND DAY TO
AGRICULTURAL ISSUES. THE COUNCIL BRIEFLY DISCUSSED OUT-
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STANDING ISSUES RELATED TO MEDITERRANEAN AGRICULTURE,
PROPOSED MEASURES TO RESTRUCTURE THE WINE SECTOR, AND
A PROPOSED INCREASE IN THE IMPORT QUOTA OF YOUNG BOVINE
ANIMALS FOR FATTENING, BUT NO DECISION WAS REACHED ON
ANY ISSUE. AS ANTICIPATED, COMMISSIONER GUNDELACH
PRESENTED A SITUATION REPORT ON THE DAIRY SECTOR (REF. B),
BUT DISCUSSION OF THE MATTER WAS DEFERRED UNTIL THE NEXT

COUNCIL MEETING, OCTOBER 30-31. END SUMMARY.

2. THE EC COUNCIL OF AGRICULTURAL MINISTERS HELD ITS FIRST "POST-HOLIDAY" SESSION ON SEPT. 25-26, DEVOTING THE FIRST DAY TO DISCUSSION OF FISHERY MATTERS (SEPTEL) AND THE SECOND DAY TO AGRICULTURAL ISSUES. HAVING REACHED NO DECISIONS ON ANY OF THE AGRICULTURAL ISSUES (OUTSTANDING MEDITERRANEAN STRUCTURAL POLICIES, MEASURES FOR RESTRUCTURING THE WINE SECTOR AND AN INCREASE IN THE IMPORT QUOTA FOR YOUNG BOVINE ANIMALS), THE COUNCIL REFERRED THEM BACK TO THE SPECIAL AGRICULTURE COMMITTEE FOR FURTHER STUDY. THE CLIMAX OF THE MEETING OCCURRED WHEN THE COMMISSION'S SITUATION REPORT ON THE DAIRY SECTOR, WHICH WILL BE DISCUSSED AT THE NEXT COUNCIL MEETING ON OCTOBER 30-31, WAS SUBMITTED. HIGHLIGHTS OF THE DISCUSSIONS FOLLOW.

3. MEDITERRANEAN STRUCTURAL POLICY:

COUNCIL DISCUSSIONS ON OUTSTANDING MEASURES TO REFORM MEDITERRANEAN AGRICULTURE WERE RATHER BRIEF. THEY COVERED THE FOLLOWING ISSUES: (1) A PROGRAM TO IMPROVE FORESTRY IN CERTAIN DRY ZONES (230 MILLION UA OVER 5 YEARS); (2) DEVELOPMENT OF AGRICULTURAL ADVISORY SERVICES IN ITALY (79 MILLION UA FOR 13 YEARS); (3) A FLOOD PREVENTION PROGRAM IN THE HERAULT VALLEY (10 MILLION UA DURING 7 YEARS); AND (4) AN IRRIGATION PROJECT IN CORSICA (15 MILLION UA OVER 7 YEARS). ALTHOUGH THE COUNCIL HAD PROMISED TO TAKE A DECISION ON THE MEDITERRANEAN MEASURES AFFECTING ITALY PRIOR TO SEPT. 30, ITALY REPORTEDLY DID NOT EXERT PRESSURE IN GETTING THEM APPROVED. THE MAIN PROBLEM SEEMS TO BE OPPOSITION BY THE UK AND GERMANY RE THE COST OF THE PROJECTS. GERMAN MINISTER ERTL STRESSED THAT MORE DETAILED DISCUSSIONS ARE NECESSARY TO DETERMINE THE SPECIFIC REGIONS WHERE THE PROJECTS WILL BE IMPLEMENTED AS WELL AS THE CONTRIBUTIONS TO BE MADE FROM FEOGA FUNDS. HOWEVER, IT APPEARS THAT FRANCE IS IMPEDING PROGRESS ON APPROVAL OF THE ISSUES UNTIL ITALY MOVES TO ACCEPT THE PROPOSED MEASURES TO RESTRUCTURE THE WINE SECTOR.

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4. WINE: THE COUNCIL BRIEFLY TOUCHED ON THE COMMISSION PROPOSALS TO RESTRUCTURE THE WINE SECTOR; HOWEVER A DECISION ON THE ISSUE WAS DEFERRED UNTIL THE NEXT MEETING. DETAILS OF THE PROPOSALS, AIMED AT ALLEVIATING THE COMMUNITY'S WINE SURPLUSES OVER THE LONG TERM AND MEASURES TO IMPROVE MARKET MANAGEMENT IN THE SHORT TERM WERE REPORTED IN REFS. C AND D. DISCUSSION AND APPROVAL OF THIS ISSUE IS EXPECTED TO BE QUITE THORNY AS NORTHERN MEMBER STATES, SUCH AS GERMANY, HAVE ALREADY BEGUN TO EXPRESS

OPPOSITION BASED ON THE COST TO FEOGA -- AN ESTIMATED 22 MUA OVER 6 YEARS. FRANCE IS STILL PUSHING FOR THE INTRODUCTION OF A FLOOR PRICE SYSTEM IN THE EVENT OF A CRISIS WHILE ITALY OPPOSES SUCH A SYSTEM FOR FEAR THAT IT WOULD IMPAIR THE EXPORT OF ITS LESS EXPENSIVE WINES INTO FRANCE. THE COUNCIL INSTRUCTED THE SPECIAL COMMITTEE ON AGRICULTURE TO AGAIN STUDY THE TECHNICAL ASPECTS OF THE PROPOSALS FOR FURTHER DISCUSSION. FRANCE AND ITALY REQUESTED AIDS FOR THE USE OF CONCENTRATED GRAPE MUST TO ENRICH CERTAIN TABLE WINES PRODUCED FROM THE 1978 CROP. WHILE THE COUNCIL TOOK NOTE OF THE REQUEST, IT DECIDED THAT THE ISSUE SHOULD BE HANDLED IN CONJUNCTION WITH THE OVERALL WINE PACKAGE AND IF DECIDED UPON, AIDS WOULD BE MADE RETROACTIVE TO COVER THE 1978 WINE CROP.

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5. IMPORT QUOTA OF YOUNG BOVINE ANIMALS FOR FATTENING: THE COUNCIL AGAIN BRIEFLY DISCUSSED A PROPOSAL TO INCREASE, BY 50,000 HEAD, THE COMMUNITY ANNUAL 200,000 HEAD IMPORT QUOTA OF YOUNG CATTLE FOR FATTENING. A DECISION ON THIS ISSUE, WHICH WAS ALSO DISCUSSED AT THE LAST COUNCIL MEETING, HAS AGAIN BEEN POSTPONED UNTIL THE NEXT MEETING.

6. DAIRY: AS ANTICIPATED, COMMISSIONER GUNDELACH SUB-

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MITTED TO THE COUNCIL A REPORT ON THE DAIRY SECTOR (REF. D), WHICH WAS REQUESTED BY THE COUNCIL DURING THE 1978/79 PRICE FIXING MARATHON (REF. E). THE REPORT (REPORTED IN DETAIL SEPTEL) ANALYZES THE COMMUNITY MILK MARKET AND RECOMMENDS NECESSARY COURSES OF ACTION TO BRING ABOUT MARKET EQUILIBRIUM IN THE SECTOR. DESPITE THE ADOPTION OF NUMEROUS MEASURES OVER THE PAST FEW YEARS, THE REPORT INDICATES THAT PRODUCTION OF DAIRY PRODUCTS HAS STEADILY INCREASED WHILE THE LEVEL OF HUMAN CONSUMPTION HAS REMAINED STABLE. IN PRESENTING THE REPORT, COMMISSIONER GUNDELACH, STRESSING THAT THE WORLD MARKET IS SATURATED WITH DAIRY PRODUCTS, EMPHASIZED THAT THE COMMUNITY IS OBLIGED TO HALT THE INCREASE IN PRODUCTION BY AVOIDING ALL NATIONAL AND COMMUNITY MEASURES WHICH LEAD TO INCREASED PRODUCTION; BY PUTTING MORE EMPHASIS ON MEASURES TO INCREASE AND MAINTAIN UNCLASSIFIED

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THE LEVEL OF CONSUMPTION, AND BY REDUCING THE MILK PRODUCTION POTENTIAL. TO ACHIEVE THIS OBJECTIVE, GUNDELACH RECOMMENDS MODIFYING THE EXISTING DAIRY SYSTEM (1) BY LINKING THE INTERVENTION PRICE TO THE QUANTITIES PRODUCED OR IN INTERVENTION; (2) BY BETTER USE OF THE CO-RESPONSIBILITY LEVY; (3) BY RETURNING SOME MILK TO PRODUCERS IN THE FORM OF LIQUID SKIMMED OR POWDER; (4) BY RESTRICTING UNCONDITIONAL ACCESS TO INTERVENTION; (5) OR BY A COMBINATION OF THESE METHODS. NO CONCRETE PROPOSALS ARE INCLUDED IN THE REPORT BUT THEY ARE EXPECTED TO BE FORMULATED AND PRESENTED AS PART OF THE 1979/80 PRICE PACKAGE IN DECEMBER. HINTON

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